SaskPower

Power Corporation Superannuation Plan

101-06702

This report summarizes certain provisions of the Power Corporation Superannuation Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions, the legal requirements of the Power Corporation Superannuation Plan will govern in all cases.

Contents

Message from the Chair 2

Plan profile 3

Plan's changing demographics 3

Pension communications 4

Significant events in 2000 5

Ad hoc increase 5

Joint committee investigates move to PBA 5

Board expanded 6

Plan governance 6

Role of Board 6

Board composition 6

Board and management 7

Independent experts 7

Investment highlights 9

Investment strategy 9

Investment policy 9

Investment performance 10

Financial highlights 11

Actuarial valuation 11

Actuarial methodology and assumptions 12

Actuarial opinion and cost certificate 13

Report of management 14

Auditors' report 14

Financial statements 15

Notes to financial statements 17

Schedule of investments 27

Five-year review 28

Glossary 32

Message from the Chair

I have the honour to present the Power Corporation Superannuation Plan (the Plan) annual report for the year ending December 31, 2000. The report provides an overview of investment strategies, highlights of 2000 and financial statements for the year.

The Plan had another successful year closing with approximately $732 million in assets, mainly investments in stocks and bonds. This represents an increase of $25 million from the previous year. The investments, in both domestic and foreign capital markets, secure the ability to provide a steady stream of retirement income for more than 2,400 active and retired members.

The Power Corporation Superannuation Board (the Board) aims to maximize the investment returns of the Plan, while managing to an acceptable level of risk, to ensure that all members receive the secure pension benefits to which they are entitled.

In 2000, the Plan earned a 9.3% rate of return on investment for the year and a 12.7% return over a four-year period. The Plan out-performed both the one-year and four-year total fund benchmark by 2.5% and 1.3% respectively, while still maintaining an acceptable level of risk.

An ad hoc increase of 1.2% was declared in 2000 and applied to the pensions paid by the Plan. This is the fourth consecutive year that an ad hoc increase has been declared, and although the Plan is not indexed, this brings the total number of ad hoc increases to 11 in the past 16 years.

The Plan continued its communication focus with the Pension Update newsletter distributed to all members in 2000.

On December 5, 2000, the Board increased from five to seven people with the appointments of Wayne Lambert, representing the Power Pioneer Association Inc., and Wendy McCullough, representing SaskEnergy. While awaiting their official appointment to the Board, both participated in an observer capacity throughout 2000. I welcome them to the Board.

My thanks to Board members and staff of SaskPower for the energy and commitment they bring to the Plan. I thank them for their dedication and hard work throughout the year.

William P. Hyde, Chair
Power Corporation Superannuation Board

Plan profile

The Power Corporation Superannuation Plan (the Plan) is a defined benefit pension plan and provides its members with benefits upon retirement. The Plan is maintained by the Saskatchewan Power Corporation (SaskPower) for employees who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

As a defined benefit plan, the members' pension is guaranteed by SaskPower regardless of the financial status of the Plan. The pension of a member depends on a number of factors, including salary, years of service and age at retirement.

The Plan is financially sound and holds a diversified portfolio of debt and equity investments. Net assets totaled $732 million at year end.

Plan's changing demographics

The Plan demographics have changed over time as a result of the Plan being closed to new members. There will be a continued decrease in the number of active members, primarily through retirement. The average service time for active members is 27.6 years. Therefore, it is expected the number of members receiving a pension will steadily increase in the future.

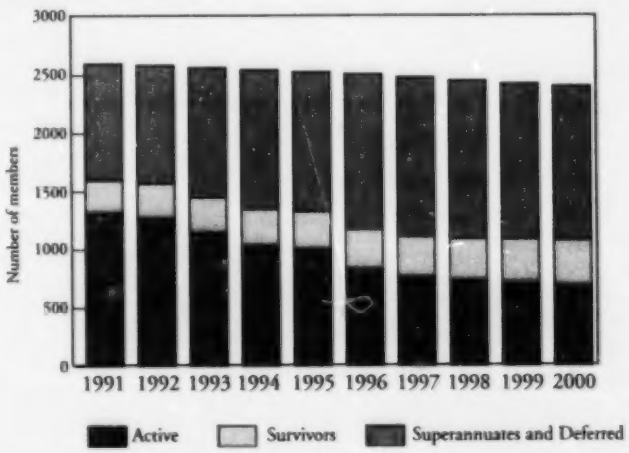
Approximately 70% of the total Plan membership is receiving benefits from the Plan. In 2000, there were 1,692 people receiving a pension, 22 people eligible for a deferred pension and 691 active members.

Included in the Plan's active membership are SaskPower employees and employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant-Governor in Council. The institutions are required to make contributions equal to their employees' contributions.

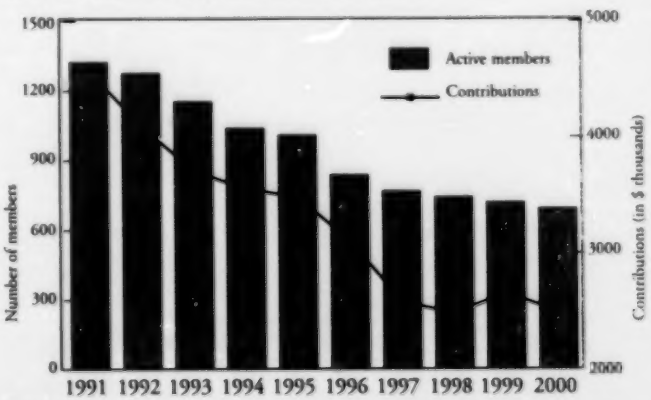
During the year, the Plan paid approximately $37.7 million in benefits. The average annual pension benefit paid was $22,338.

Both the members and the employers (SaskPower and institutions) have contributed to the funding of the Plan. The members' contributions are calculated as a

Plan membership



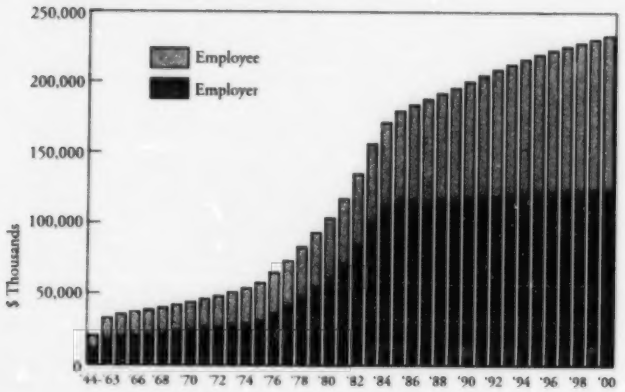
Active membership and contributions



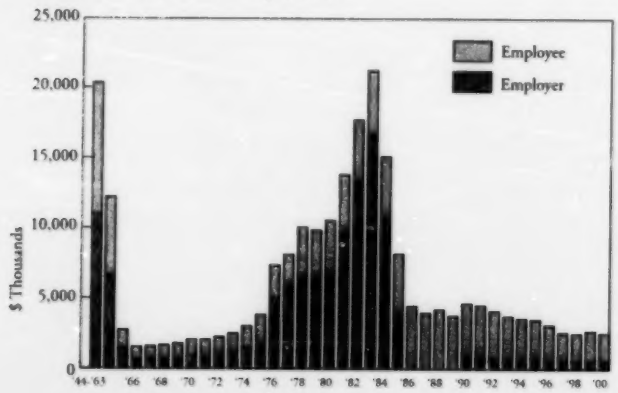
percentage of their pensionable earnings less a reduction for contributions to the Canada Pension Plan. The institutions make contributions equal to their employee's contributions. SaskPower, the corporation guaranteeing the retirement benefits, relies on actuarial valuations to determine its funding requirements.

In 2000, the Plan received contributions of approximately $2.4 million, comprised of $1.9 million from employees and $0.5 million from the institutions. Since the inception of the Plan, the contributions have been split 53% employer and 47% employee. Contributions to the Plan were invested to pay current and future pension benefits.

Cumulative contributions



Annual contribution profile



As the plan matures, a declining ratio of active members to pensioners (see graph page 3), will continue. This maturation is also evident in the increasing cost of pensions compared to contributions, making the Plan more reliant on investment returns. In 2000, contributions amounted to $2.4 million while benefits paid amounted to $37.7 million, leaving $35.3 million to be funded through investment returns.

The Board's priority is to ensure that all members receive the secure benefits to which they are entitled. The Board's function is to ensure investment returns are maximized and that the Plan's assets are managed prudently.

Pension communications

In order to improve members' understanding of the Plan provisions and to communicate significant legislative changes in a timely manner, a pension communication committee was formed in 1998. The committee is comprised of superannuate, union and management representation from both SaskPower and SaskEnergy. During the past three years, the committee prepared the Pension Update newsletter that was distributed to all Plan members. In 2000, two issues of the Pension Update were produced.

An annual report is provided to all Plan members. The Plan's financial statements, investment performance, actuarial valuation assessment and membership profile are among items highlighted in the report.

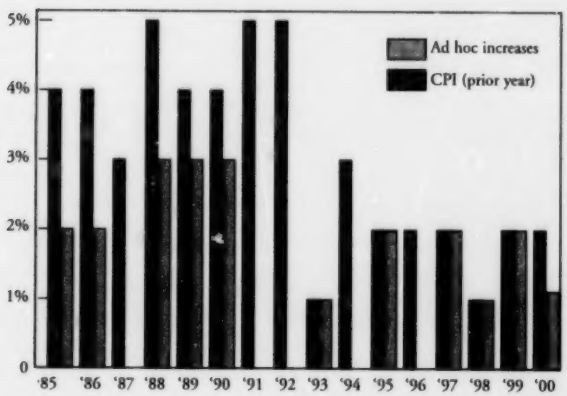
Significant events in 2000

Ad hoc increase

Although the Plan is not indexed, the Government of Saskatchewan annually reviews the level of pensions paid to superannuates. As a result of this review, the Lieutenant-Governor in Council may declare an increase up to the average of the Consumer Price Index (CPI). Plan increases are based on the average of the CPI for Saskatoon and Regina in the previous calendar year.

These increases are commonly called ad hoc increases and are made on a one-time basis with no promise of future increases. Ad hoc increases have been granted in 11 of the past 16 years. The most recent ad hoc increase of 1.2% was declared in 2000 and applied to pensions paid by the Plan.

Ad hoc increases



Joint committee investigates move to PBA

A joint committee was formed in August 1999 to review any advantages that may be achieved by registering the Plan text for the Power Corporation Superannuation Plan under *The Pension Benefits Act (Saskatchewan)* (the PBA). The joint committee included representatives from the IBEW and CEP unions, active management, Power Pioneer Association Inc., SaskPower and SaskEnergy. This effort followed SaskTel's registration of their Plan text under the PBA, effective January 1, 1999.

Pension plans having their Plan text registered under the PBA are subject to the minimum standards of this Act, as well as the maximums that apply under *The Income Tax Act (Canada)*.

The Power Corporation Superannuation Plan and the SaskTel Superannuation Plan were administered under similar provincial legislation prior to SaskTel's move to the PBA. SaskPower, therefore, extended an opportunity to Plan stakeholders to investigate whether they would also want the opportunity to register the Plan text for the Power Corporation Superannuation Plan under the PBA.

The purpose of the joint committee was to determine whether a move to the PBA would be advantageous. This move would only proceed if the committee reached consensus and used the same process as SaskTel. The move would continue to provide the same level of benefits currently provided. No reduction of accrued benefits would occur as a result of the move.

Plan text was drafted and a series of meetings and two full-day educational sessions were held, enabling committee members to make an informed decision. The joint committee decision was requested by May 31, 2000.

As the joint committee was unable to reach consensus, a move to register the Plan text under the PBA will not proceed at this time.

Board expanded

In response to a request from the Power Pioneer Association Inc., an association representing the majority of the Plan superannuates, SaskPower requested the necessary legislative amendments required to appoint one of their members to the Board. In addition to this superannuate representative, a decision was made to appoint a SaskEnergy representative, as well. Representatives from these two groups participated in observer capacities while awaiting their official appointment to the Board.

On December 5, 2000, the Board increased from five to seven people with the appointments of Wayne Lambert, representing the Power Pioneer Association Inc., and Wendy McCullough, representing SaskEnergy.

Plan governance

Governance encompasses the responsibilities of the Power Corporation Superannuation Board (the Board) and the way in which the Board discharges its responsibility for the control and administration of the Plan.

Role of Board

The Board selects the plan's actuary, the custodian and the investment managers, and sets the investment policy of the fund. The Board is responsible for the stewardship of the Plan, overseeing the identification and management of principal risks, monitoring the performance of investment managers, adopting procedures that provide effective communication and ensuring the integrity of internal controls. In addition, Board members must ensure they comply with the provisions of *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

The Board is responsible for the sound investment and professional administration of the Plan on behalf of its members, superannuates and sponsors. Board members review the Plan's investment policies and performance, evaluate the pension liabilities and ensure that the Plan's financial statements accurately reflect the financial position. The Board also monitors the Plan's administration to satisfy itself that members and superannuates receive the benefits to which they are entitled as per governing legislation.

The Board bases its investment policy decisions on comprehensive research, input from expert advisors and thorough discussion among Board members.

Board composition

Bill Hyde, Chair
Vice-President, Human Resources, SaskPower

Jim Fink
Superannuate, SaskPower

Pat Hall
Controller, SaskPower

Wayne Lambert
Superannuate representative,
Power Pioneer Association Inc.

Wendy McCullough
Manager, Compensation and Benefits,
SaskEnergy representative

Ken Pielak
Employee representative (CEP), SaskEnergy

Brian Ross
Employee representative (IBEW), SaskPower

Board members bring a diverse set of experience and attributes to the Plan. Board members are provided a comprehensive, ongoing education and training program. They are appointed by the Lieutenant-Governor in Council pursuant to *The Power Corporation Superannuation Act*.

Two new members were added to the Board in 2000, providing the Plan with greater diversity and additional expertise in a number of different areas.

The Board oversees the administration of the Plan and the investment strategy used to manage the pension fund. Membership includes representatives of Plan members and Plan employers as well as superannuates.

Board members serve in a voluntary capacity and do not receive compensation for their services from the Plan. They are, however, reimbursed for travel-related expenses by the Plan sponsor, SaskPower.

Board and management

Although the Board is responsible for overseeing the administration of the Plan, SaskPower management is responsible for day-to-day operations. Management is expected to act within the approved Board policies and directives.

SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix on a monthly basis. They also serve as the primary contacts for member queries. SaskPower management reports to the Board on a regular basis, providing details of financial transactions, investments, retirement benefit activity and overall Plan performance.

Independent experts

The Statement of Investment Policies and Goals (the Policy) provides guidelines for the investment and monitoring of Plan assets. The investment guidelines were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the Policy annually and changes are made as necessary.

The Policy outlines a governance structure that allows the Board to retain the services of independent experts to assist them in fulfilling their responsibilities. The Board retains independent actuarial, investment and accounting professionals, and an independent custodian.

The Board is required to meet semi-annually with the investment advisor and each of the investment managers to discuss investment performance, strategies and expected future performance. The Board also meets with the actuary to review assumptions and valuation results and with the Plan's external auditor before and following the annual audit of the financial statements.

In 2000, the Board convened quarterly to review the financial results and the performance of the Plan as well as retirement benefit activity.

Investment managers

The Plan's investments are managed externally by leading investment management firms who have been chosen by the Board for their expertise and style within a particular asset class. All managers of the Plan's assets are subject to portfolio mandates, investment restrictions and performance standards. The investment managers devise and implement an investment strategy within their mandates and report the results to the Board on a quarterly basis.

Investment managers at December 31, 2000, were:

ASSET CLASS	INVESTMENT MANGER
Canadian equity	*Jarislowsky Fraser Limited*
Canadian equity and bond	*Greystone Capital Management Inc.*
Bond	*Perigee Investment Counsel*
International equity	*Templeton Management Limited*
International equity	*Vontobel (affiliate of Greystone Capital management Inc.)*
U.S. S&P 500 equity index	*Newcastle Capital Management Inc.*

The Board assesses the performance of the investment managers against market-based benchmarks and results achieved by other managers. Managers are also evaluated for compliance to expected management styles. This assists the Board in maintaining a diversified portfolio with an acceptable level of risk.

Investment advisor

The Board engages the services of an investment advisor to provide advice on the overall management of the Plan's investments and on the measurements of the Plan's performance.

The Board has retained Towers Perrin as its investment advisor. Towers Perrin provides an analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks. The investment advisor monitors each investment manager's style and risk characteristics, and comments on performance. It advises the Board on overall investment policy and management that would best achieve the Plan objectives.

Custodian

The Board has retained CIBC Mellon Global Securities Services Company as the custodian for the Plan. As custodian, the company holds custody of the assets of the Plan and is responsible for executing investment transactions. The custodian ensures that investment income is collected and provides record-keeping services for the Plan.

Actuary

The role of Aon Consulting Inc. is to prepare annual actuarial valuations for accounting purposes and to make recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate is found on page 13.

Auditor

An audit of the Plan's fiscal year-end financial statements is performed annually by an external auditor. The audit focuses on the existence, completeness and valuation of Plan assets, the measurement of Plan income and expenses, and the fairness of presentation in accordance with accounting principles generally accepted in Canada. In accordance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Ernst & Young LLP conducted an independent examination of the Plan's year-end financial statements. The firm's professional opinion on the financial statements is found in its auditors' report on page 14.

Investment highlights

Investment strategy

The investment objective of the Plan is to meet current and future pension payment obligations. The assets of the Plan are invested in a diversified portfolio with expectations that returns will meet the financial obligations. The investment funds are placed with a number of investment managers, who invest in a wide range of securities and asset classes, equities and fixed income, in both domestic and foreign capital markets. This diversification reduces the risk of investing. It recognizes that while markets rise and fall, combining different types of investments in a portfolio minimizes the fluctuations and limits the possibility of a major, permanent loss of capital.

Investment policy

The Plan has a Statement of Investment Policies and Goals (the Policy) approved by the members of the Power Corporation Superannuation Board. The Policy reflects the philosophy of diversification and protection of capital and provides guidance to the investment managers. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for Plan governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

The Policy has set a mix of 55% equity and 45% fixed income. Foreign equity content is set at 30%.

The Plan's Policy has the following objectives:

- to ensure the Plan has sufficient assets to meet future pension obligations;
- to optimize the risk/return relationship of the Plan; and
- to generate sufficient cash flow to meet ongoing pension payments.

Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity investments over fixed income. The Plan's primary objective is to achieve a return which exceeds an established benchmark. This benchmark is comprised of the following asset classes:

ASSET CLASS	MARKET INDEX	WEIGHT
Bonds	*Scotia Capital Markets Universe*	*45%*
Canadian equities	*TSE 300 total return capped index*	*25%*
International equities	*Morgan Stanley Capital EAFE index*	*20%*
U.S. equities	*Standard & Poor's 500 total return index*	*10%*
		100%

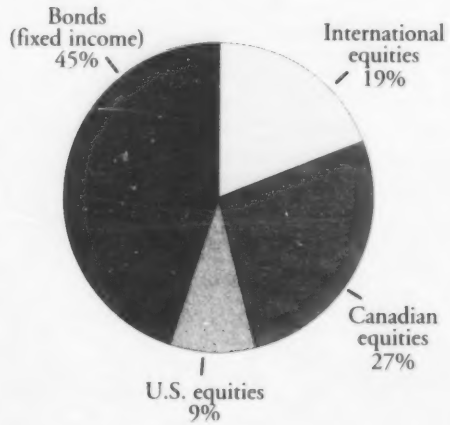
A secondary objective for the Plan return is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles, i.e., over a four- to ten-year period.

To ensure diversification and risk control, the Policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration. The Plan's current foreign equity exposure is 28% and remains within Canada Customs and Revenue Agency's foreign content limit through the use of instruments that replicate the investment performance of a recognized market index

on a non-leveraged basis. This type of investment allows for greater diversification and moderation of risk.

The actual allocation of assets in 2000 conformed to the guidelines of the investment policy as shown in the following graph:

Asset allocation 2000

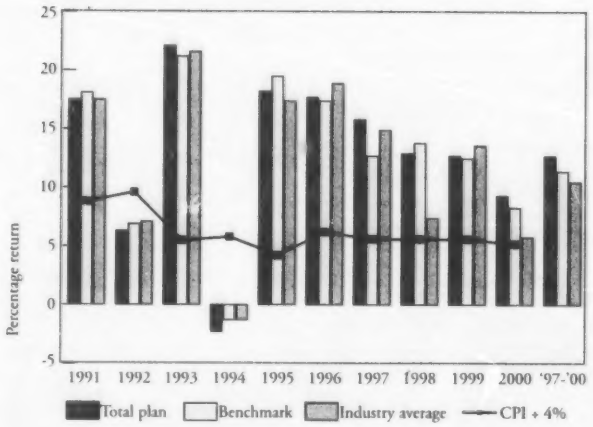


Investment performance

The Plan's performance is measured by comparing its return to that of the benchmark portfolio. Measuring performance against other pension plans is also a useful indication of investment performance. During 2000, the Plan's annual return of 9.3% was in the top 50% of all pension plan returns in Canada. This was above both the total fund benchmark return of 6.8% and the industry average mix return of 5.8%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 1997-2000, the Plan averaged an annual return of 12.7%, as compared to the industry average mix return of 10.5% and the total fund benchmark return of 11.4%.

Plan performance



The graph illustrates that returns fluctuate from year to year. The underlying volatility of individual asset class returns is even more pronounced. The Policy sets out a diversification strategy designed to mitigate the effects of this volatility. As a result, the Plan's returns have historically been more stable than the returns of any single asset class. Additionally, Plan returr. have been achieved at a risk level that is lower than the average pension fund portfolio.

Financial highlights

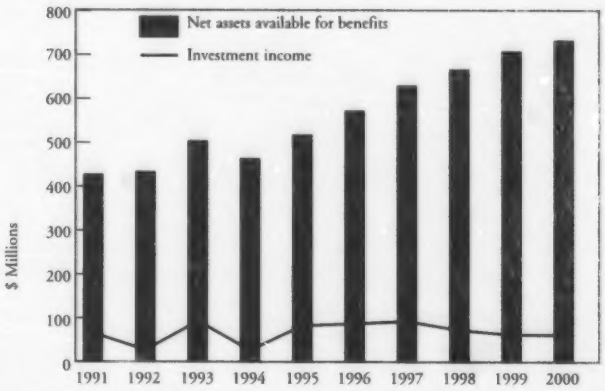
The Plan's financial position was significantly enhanced during the year and as at December 31, 2000, the Plan's net assets available for benefits totaled $732 million. The net increase of $25 million over the previous year is attributable to the following:

CHANGES IN NET ASSETS (in millions)	2000	1999
Income		
Investment income	*$ 32*	*$ 27*
Increase in market values of investments	*30*	*51*
Contributions	*3*	*3*
	65	*81*
Expenditures		
Benefits	*38*	*38*
Administrative expenses	*2*	*2*
	40	*40*
Increase in net assets	*$ 25*	*$ 41*

Strong investment returns, including realized and unrealized gains, added $62 million in net assets in 2000, compared to $78 million in 1999. Contributions to the Plan remained essentially unchanged from the previous year and accounted for $3 million.

In both years the Plan paid $38 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording the Plan's investments. These fees are based on the market value of assets under management. The cost of these services is 0.25% of the market value of the assets in 2000, compared to 0.22% in 1999. The increase in fees is reasonable in light of the market value growth in net assets.

Plan growth



Actuarial valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise, a promise to provide lifetime payments to eligible retired members. Meeting the promise requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually.

Pension plans are unique in terms of the financial reporting of assets and liabilities. Pension plans must be able to meet financial obligations – in the form of benefits – that may not be paid for many years. As a result, the Plan's liabilities are determined on an actuarial basis. The Plan's assets are determined using market prices.

ACTUARIAL SURPLUS (in millions)	2000	1999
Net assets available for benefit	*$732*	*$707*
Accrued pension benefits	*630*	*633*
Actuarial surplus	*102*	*74*

At December 31, 2000, the Plan recognized an actuarial surplus of $102 million for financial statement reporting purposes, compared to $74 million for the previous year. The accrued pension benefits remained relatively unchanged from the previous year, while net assets available for benefit increased by $25 million. The increase is primarily a result of the continued strong investment performance of the Plan.

The actuarial surplus is a concrete measure of the financial health of the Plan and provides a cushion against volatility in financial markets as well as changes in interest rates and inflation.

Actuarial methodology and assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. This methodology is called a best estimate actuarial valuation because it attempts to arrive at the most likely outcome.

The economic assumptions are based on published forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period.

BEST ESTIMATE VALUATION ECONOMIC ASSUMPTIONS	2000-04	2005
Discount rate	*6.75%*	*6.75%*
Expected rate of return on plan assets	*7.60%*	*7.60%*
Rate of compensation increases	*2.75 - 4.25%*	*5.00%*
Inflation	*2.25 - 3.25%*	*4.00%*
Ad hoc increases (% of CPI)	*50.00%*	*50.00%*

To value the liabilities, the actuary examines the Plan's demographics – the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits from the Plan. In addition, mortality and termination of employment data are reviewed and factored into the valuation assumptions.

While the actuarial assumptions used to estimate the Plan's liabilities are a best-estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the financial position (surplus or deficit) of the Plan. For example, if the actual inflation rate differs from the assumed rate by 0.5%, the pension liability and the financial position will change by $17 million.

Actuarial opinion and cost certificate

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the going concern liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 2000, for accounting information purposes based on Section 3461 of the CICA Handbook. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board. In addition, we provided the Board with statistical, survey and other information used to develop their long-term economic assumptions. The discount rate used for accounting purposes was determined in accordance with Section 3461 of the CICA Handbook.

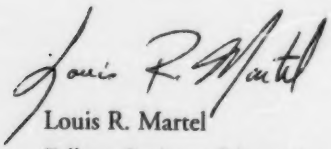
The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2000;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on September 30, 2000, as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of $628,027,000 in respect of benefits accrued for service prior to September 30, 2000, including the effect of a 1.2% ad hoc adjustment to pensions as at April 1, 2000. The market value of assets at that date was $738,935,000 indicating an accounting actuarial surplus of $110,908,000.



Louis R. Martel
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Chartered Financial Analyst

Report of Management

Management is responsible for the integrity of the financial data reported by the Plan. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgement, estimates and accounting principles generally accepted in Canada, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control, including corporate-wide policies and procedures and an internal audit program. These systems provide reasonable assurance that the Plan's assets are safeguarded and that financial records are relevant and reliable.

The Board ensures that management fulfills its responsibility for financial reporting and internal control. The Board meets regularly to review audit, internal control and financial reporting matters with management and internal and external auditors. The Board has reviewed the financial statements.

On behalf of Management,

William P. Hyde, Chair
Vice-President, Human Resources
SaskPower

Pat Hall
Controller, Corporate and Financial Services
SaskPower

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Power Corporation Superannuation Plan as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Canada
March 1, 2001

Ernst & Young LLP
Chartered Accountants

Statement of Net Assets Available For Benefits

(in thousands)	2000	1999
Assets		
Investments, at market (Schedule)		
Short-term securities	$ 80,027	$ 83,516
Bonds	315,100	278,045
Equities	332,510	331,605
Mortgages	699	725
Real estate	-	7,670
	728,336	701,561
Receivables		
Employees' contributions	53	65
Sponsors' contributions	50	56
Accrued investment income	5,369	3,360
Other receivables	-	16
	5,472	3,497
Cash	(400)	3,538
Total assets	733,408	708,596
Liabilities		
Accounts payable	934	1,212
Net assets available for benefits	$732,474	$707,384

See accompanying notes

On behalf of the Board:

William P. Hyde, Chair

Pat Hall

Power Corporation Superannuation Plan

Statement of Net Assets Available For Benefits

As at December 31

(in thousands)	[illegible]	1999
Assets		
Investments, at market (Schedule)		
Short-term securities	[illegible]	$ 83,516
Bonds	[illegible]	278,045
Equities	[illegible]	331,605
Mortgages	[illegible]	725
Real estate		7,670
	[illegible]	701,561
Receivables		
Employees' contributions	[illegible]	65
Sponsors' contributions	[illegible]	56
Accrued investment income	[illegible]	3,360
Other receivables		16
	[illegible]	3,497
Cash	[illegible]	3,538
Total assets	[illegible]	708,596
Liabilities		
Accounts payable	[illegible]	1,212
Net assets available for benefits	[illegible]	$707,384

See accompanying notes

On behalf of the Board:

William P. Hyde, Chair

Pat Hall

Statement of Changes in Net Assets Available for Benefits

(In thousands)	2000	1999
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 5,686	$ 4,133
Bonds (Note 6)	18,298	17,155
Mortgages	55	57
	24,039	21,345
Dividends	7,563	5,037
Real estate income (Note 6)	456	637
	32,058	27,019
Increase in market values of investments	30,279	51,068
Contributions		
Employees'	1,949	1,919
Sponsors'	546	560
Transfers	-	180
	2,495	2,659
Total increase in assets	64,832	80,746
Decrease in net assets		
Superannuation allowances	37,719	37,367
Refunds on terminations	230	429
Administrative expenses (Notes 6 & 7)	1,793	1,547
Total decrease in assets	39,742	39,343
Increase in net assets	25,090	41,403
Net assets available for benefits, beginning of year	707,384	665,981
Net assets available for benefits, end of year	$732,474	$707,384

See accompanying notes

Power Corporation Superannuation Plan

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

(in thousands)	2000	1999
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 5,686	$ 4,133
Bonds (Note 6)	18,298	17,155
Mortgages	55	57
	24,039	21,345
Dividends	7,563	5,037
Real estate income (Note 6)	456	637
	32,058	27,019
Increase in market values of investments	30,279	51,068
Contributions		
Employees'	1,949	1,919
Sponsors'	546	560
Transfers	-	180
	2,495	2,659
Total increase in assets	64,832	80,746
Decrease in net assets		
Superannuation allowances	37,719	37,367
Refunds on terminations	230	429
Administrative expenses (Notes 6 & 7)	1,793	1,547
Total decrease in assets	39,742	39,343
Increase in net assets	25,090	41,403
Net assets available for benefits, beginning of year	707,384	665,981
Net assets available for benefits, end of year	$732,474	$707,384

See accompanying notes

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

1. DESCRIPTION OF PLAN

The following description of The Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan (formerly called the Public Employees (Government Contributory) Superannuation Plan), a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant-Governor in Council.

b) Members' Contributions

Plan members contribute a percentage of their salary, at a rate based on their age when they became a contributor to the Plan following their most recent date of employment, and any agreements for an employee group, less a reduction for Canada Pension Plan contributions.

An employee makes no further contributions after 35 years of pensionable service.

c) Retirement Allowances

The Plan provides an unreduced retirement allowance at age 65 with at least 5 years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average salary multiplied by the years of pensionable service, up to a maximum of 35 years. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan from January 1, 1966.

Employees may retire with a reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service.

The Lieutenant-Governor in Council may increase retirement allowances up to the annual rate of increase in the Consumer Price Index. The Plan increases are based upon the average of the Consumer Price Index for Saskatoon and Regina in the preceding year.

d) Survivors' Allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

Members may select the basic allowance that will pass 60% of the retirement allowance that they received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the amount due to Canada Pension Plan integration until the member would have turned age 65.

Alternatively, members may select the 100% option. This is an option to commence a reduced allowance in order to pass the same allowance to the surviving spouse upon death of the member. The spouse will receive the same lifetime retirement allowance, plus the same amount due to Canada Pension Plan integration, until the member would have turned age 65.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

e) Deferred Allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment with the Corporation.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence a retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence a retirement allowance, is at age 60.

f) Refunds and Transfers

Upon ceasing employment with the Corporation, prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest, as: a lump-sum payment less statutory deductions, a transfer to their registered retirement savings plan, or a transfer pursuant to the terms of an existing reciprocal agreement to another registered pension plan. Members, or their family, who elect a refund whether by lump-sum payment or transfer have no further claim to the Plan.

g) Other Benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

h) Income Taxes

The Plan is a registered pension plan as defined in the *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to Canada Customs and Revenue Agency.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The following policies are considered to be significant:

a) Basis of Presentation

These financial statements present the financial position and results of operations of the Plan as a separate financial reporting entity independent of the Corporation and Plan members.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Bonds and equities are valued using year-end market quotations. Mortgages are valued at cost which approximates market. Real estate valuations are based on appraisals of the individual properties performed at least triennially. Short-term securities are valued at cost which approximates market.

c) Investment Income

Investment income consists of interest on bonds, short-term securities and mortgages which is recognized as it accrues, dividend income which is recognized as of the ex-dividend date and rental income which is recognized net of expenses on an accrual basis.

d) Foreign Exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

3. INVESTMENTS

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing bonds and investment returns into a diversified pool of assets such as Canadian and foreign equities, money market securities and bonds.

Power Corporation Superannuation Plan

Notes to Financial Satements

As at December 31, 2000

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the following securities are based on the Dominion Bond Rating Service.

Short–Term Securities

The Plan invests in short-term securities that have an R1 or equivalent rating. At December 31, 2000, the Plan held Canadian dollar denominated investments of $11 million (1999 – $12 million) maturing within 2 to 256 days (1999 – 4 to 202 days) at yields of 4.7% to 5.8% (1999 – 4.6% to 5.3%) and U.S. dollar denominated investments of $69 million (1999 – $71 million) maturing within 2 to 72 days (1999 – 39 to 70 days) at yields of 5.5% to 6.5% (1999 – 5.6% to 5.9%).

The U.S. dollar denominated investments are part of an indexing strategy to earn investment returns based on the S&P 500 Index using S&P 500 Index futures.

At December 31, 2000, the Plan's notional amount of futures contracts was $69 million ($46 U.S. million). At December 31, 1999, the Plan's notional amount of futures contracts was $73 million ($50 U.S. million). Notional amounts are not recorded as assets or liabilities in the financial statements. They represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

Exposure to credit risk is limited as these transactions are standardized contracts executed on established exchanges. The futures contracts are accounted for at market value adjusted daily and gains or losses are included in the increase in market value of investments.

Bonds

The Plan invests in bonds, considered to be high quality, as follows:

Notes to Financial Statements

(in thousands)			2000			1999	
	Years to Maturity	Credit Rating	Market Value	Average Yield (%)	Credit Rating	Market Value	Average Yield
Federal Bonds							
Government of Canada		AAA			AAA		
	1-5		$ 99,127	6.29		$ 85,790	6.01
	6-10		37,457	7.10		45,998	6.37
	11-15		11,459	7.85		33,443	6.29
	20+		30,481	6.22		47,086	6.14
Federally Guaranteed		AAA			AAA		
	1-5		-	-		3,898	6.34
	6-10		8,645	6.13		1,347	6.50
			187,169			167,562	
Provincial and Provincially Guaranteed Bonds							
British Columbia	6-10	AA(low)	6,644	5.39	AA(low)	5,609	6.58
	11-15		805	8.50		-	
	20+		11,343	6.06		8,385	6.80
Manitoba	1-5	A(med)	4,601	6.86	A	4,271	6.48
	6-10		3,248	5.60		3,403	6.61
	16-20		805	5.50		-	
New Brunswick	1-5	A(med)	565	8.75		-	
	6-10		-	-	A	554	6.34
	16-20		3,067	6.00		2,836	6.80
Newfoundland	20+	BBB(med)	703	6.55		-	
Nova Scotia	6-10	BBB(high)	1,647	6.40		-	
Ontario	1-5	AA(low)	11,484	5.71	AA(low)	11,909	6.37
	6-10		7,251	7.43		7,307	6.54
	20+		3,718	7.56		6,089	6.74
Quebec	1-5	A(low)	1,346	6.50	A(low)	1,298	6.42
	6-10		1,042	6.50		1,320	6.69
	11-15		1,081	6.50		-	
	20+		4,669	6.00		4,271	6.92
Saskatchewan	6-10	A(low)	3,336	5.62	A(low)	3,253	6.61
	20+		485	5.75		-	
			67,840			60,505	
Corporate Bonds		AAA-BBB			AA-BBB		
	1-5		18,690	6.29		17,528	6.28
	6-10		26,345	6.68		17,560	6.8
	11-15		8,965	6.93		2,245	6.71
	16-20		1,012	6.80		4,893	7.37
	20+		5,079	6.23		7,752	7.21
			60,091			49,978	
Total Bonds			$315,100			$278,045	

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

(in thousands)			2000		1999		
	Years to Maturity	Credit Rating	Market Value	Average Yield (%)	Credit Rating	Market Value	Average Yield (%)
Federal Bonds							
Government of Canada		AAA			AAA		
	1-5		$ 59,127	6.39		$ 35,790	6.01
	6-10		57,457	7.18		45,998	6.27
	11-15		11,459	7.85		33,443	6.29
	20+		39,481	6.52		47,086	6.14
Federally Guaranteed		AAA			AAA		
	1-5		-	-		3,898	6.33
	6-10		8,645	6.15		1,347	6.50
			167,169			167,562	
Provincial and Provincially Guaranteed Bonds							
British Columbia	6-10	AA(low)	6,646	5.89	AA(low)	5,609	6.58
	11-15		80	6.50		-	-
	20+		11,545	6.68		8,385	6.80
Manitoba	1-5	A(med)	4,486	5.98	A	4,271	6.48
	6-10		3,295	5.98		3,403	6.61
	16-20		500	5.50		-	-
New Brunswick	1-5	A(med)	900	6.79		-	-
	6-10		-	-	A	554	6.54
	16-20		3,007	6.68		2,836	6.80
Newfoundland	20+	BBB(med)	750	6.63		-	-
Nova Scotia	6-10	BBB(high)	1,047	6.98		-	-
Ontario	1-5	AA(low)	11,684	5.93	AA(low)	11,909	6.37
	6-10		7,251	7.03		7,307	6.54
	20+		5,718	7.08		6,089	6.74
Quebec	1-5	A(low)	1,308	6.98	A(low)	1,298	6.42
	6-10		1,042	6.58		1,320	6.69
	11-15		1,001	6.98		-	-
	20+		4,669	6.88		4,271	6.92
Saskatchewan	6-10	A(low)	3,386	5.62	A(low)	3,253	6.61
	20+		500	5.75		-	
			47,240			60,505	
Corporate Bonds		AAA-BBB			AA-BBB		
	1-5		18,070	6.58		17,528	6.28
	6-10		38,597	6.98		17,560	6.87
	11-15		2,900	8.00		2,245	6.74
	16-20		4,870	6.98		4,893	7.57
	20+		4,000	6.88		7,752	7.21
			68,437			49,978	
Total Bonds			$282,846			$278,045	

46

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

Equities

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign equities and U.S. dollar denominated short-term securities.

	Investments		% of Plan Investments	
(in thousands)	2000	1999	2000	1999
Canadian short-term securities denominated in U.S. dollars (1)	$ 68,955	$ 71,396	9.5	10.2
Foreign equities:				
International equities (2)	67,863	72,926	9.3	10.4
Non-North American fund (3)	69,532	86,880	9.5	12.4
Total foreign equities	137,395	159,806		
Total foreign currency exposure	$ 206,350	$ 231,202	28.3	33.0

(1) These investments are part of an indexing strategy for which Newcastle Capital Management Inc. was retained to manage. The intent of the indexing strategy is to replicate the S&P 500 Index total returns.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Vontobel.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

4. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. An actuarial valuation for accounting purposes was prepared as of September 30, 2000, by Aon Consulting Inc. and was then extrapolated to December 31, 2000.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial surplus. The actuarial present value of accrued pension benefits as at December 31 and the principal components of changes in actuarial present values during the year are as follows:.

Actuarial Present Value of Accrued Pension Benefits

(in thousands)	1999
Balance, beginning of year	$ 610,050
Interest accrued on benefits	40,900
Benefits paid	(37,796)
Changes in actuarial assumptions	-
Experience losses and other	13,985
Benefits accrued	6,338
Balance, end of year	633,477
Net Assets Available for Benefit	707,384
Actuarial Surplus (1)	$ 73,907

(1) The actuarial surplus is based on the value of net assets available for benefit and estimated pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

The assumptions used in determining the actuarial value of accrued pension benefits were:

	1999
Discount rate	6.75%
Expected rate of return on plan assets	6.75%
Inflation	2.00%
Rate of compensation increases	2.50%
Remaining service life (years)	8.51

Equities

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign equities and U.S. dollar denominated short-term securities.

	Investments		% of Plan Investments	
(in thousands)	2000	1999	2000	1999
Canadian short-term securities denominated in U.S. dollars (1)	$ 68,953	$ 71,396	9.5	10.2
Foreign equities:				
International equities (2)	67,863	72,926	9.3	10.4
Non North American fund (3)	69,532	86,880	9.5	12.4
Total foreign equities	137,395	159,806		
Total foreign currency exposure	$ 206,348	$ 231,202	28.3	33.0

(1) These investments are part of an indexing strategy for which Newcastle Capital Management Inc. was retained to manage. The intent of the indexing strategy is to replicate the S&P 500 Index total returns.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Capital Management Inc. (GCMI) mandate. GCMI has delegated the management of these funds to Vontobel.

4. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. An actuarial valuation for accounting purposes was prepared as of September 30, 2000, by Aon Consulting Inc. and was then extrapolated to December 31, 2000.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial surplus. The actuarial present value of accrued pension benefits as at December 31 and the principal components of changes in actuarial present values during the year are as follows:

Actuarial Present Value of Accrued Pension Benefits

(in thousands)	2000	1999
Balance, beginning of year	$ 633,477	$ 610,050
Interest accrued on benefits	41,587	40,900
Benefits paid	(37,949)	(37,796)
Changes in actuarial assumptions	(18,717)	–
Experience losses and other	5,498	13,985
Benefits accrued	6,537	6,338
Balance, end of year	630,433	633,477
Net Assets Available for Benefit	732,474	707,384
Actuarial Surplus (1)	$ 102,041	$ 73,907

(1) The actuarial surplus is based on the value of net assets available for benefit and estimated pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

The assumptions used in determining the actuarial value of accrued pension benefits were:

	2000	1999
Discount rate	6.75%	6.75%
Expected rate of return on plan assets	7.60%	6.75%
Inflation	2.25%	2.00%
Rate of compensation increases	2.75%	2.50%
Remaining service life (years)	7.92	8.51

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant Governor in Council at 50% of the annual rate of increase in the Consumer Price Index (CPI).

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease from $630 million to $613 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase to $649 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 2000, assuming constant inflation and salary escalation assumptions, a 0.5% change in the discount rate would result in a change in the pension liabilities of approximately 5.3%.

5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions; these corporations make contributions equal to their employees' contributions in accordance with *The Superannuation (Supplementary Provisions) Act*.

6. RELATED PARTY TRANSACTIONS

a) Administration

As indicated in Note 7, certain administration costs are paid by the Corporation.

b) Investments

	Investments		Investment Income	
(in thousands)	2000	1999	2000	1999
Province of Saskatchewan bonds	$3,821	$3,253	$ 178	$ 193
Equity in SaskPen (1)	-	4,164	402	348

(1) SaskPen Properties Ltd. is a real estate corporation owned by Government of Saskatchewan managed public sector pension plans. In 2000, the Plan sold its holdings of SaskPen Properties Ltd. and is therefore no longer a shareholder. A gain of $0.2 million was realized on the sale.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

The current year and previous year valuations assume pensions will be indexed in the future by the Lieutenant-Governor in Council at 50% of the annual rate of increase in the Consumer Price Index (CPI).

If future pensions are indexed at 40% of the annual rate of increase in the CPI, the actuarial present value of benefits would decrease from $630 million to $613 million. With future pension indexing at 60% of the rate of increase in the CPI, the actuarial present value of benefits would increase to $649 million.

Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. As at December 31, 2000, assuming constant inflation and salary escalation assumptions, a 0.5% change in the discount rate would result in a change in the pension liabilities of approximately 5.3%.

5. FUNDING POLICY

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions; these corporations make contributions equal to their employees' contributions in accordance with *The Superannuation (Supplementary Provisions) Act*.

6. RELATED PARTY TRANSACTIONS

a) Administration

As indicated in Note 7, certain administration costs are paid by the Corporation.

b) Investments

	Investments		Investment Income	
(in thousands)	2000	1999	2000	1999
Province of Saskatchewan bonds	$3,821	$3,253	$ 178	$ 193
Equity in SaskPen (1)	-	4,164	402	348

(1) SaskPen Properties Ltd. is a real estate corporation owned by Government of Saskatchewan managed public sector pension plans. In 2000, the Plan sold its holdings of SaskPen Properties Ltd. and is therefore no longer a shareholder. A gain of $0.2 million was realized on the sale.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

7. ADMINISTRATION COSTS

The *Superannuation (Supplementary Provisions)* Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit, actuarial and consulting fees, as well as general administration costs. However, investment management and custodial fees are paid by the Plan.

The Board has developed, with the assistance of its consultant, Towers Perrin, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions. The consultant fees were paid by the Corporation.

b) Investment Management Services

Greystone Capital Management Inc., Jarislowsky Fraser Ltd., Templeton Management Limited, Perigee Investment Counsel Inc. and Newcastle Capital Management Inc. invested the monies of the Plan during the year, under a contract to provide services.

c) Custodian Services

The custodian for the Plan assets is responsible for the processing and handling of investment transactions. Custodian services were provided by CIBC Mellon Global Securities Services Company.

Power Corporation Superannuation Plan

Notes to Financial Statements

As at December 31, 2000

8. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Towers Perrin:

	Annual Return		Rolling Four-Year Average Annual Return	
	[redacted]	1999	[redacted]	1999
Plan's actual rate of return	[redacted]	12.7%	[redacted]	14.8%
Target rate of return	[redacted]	12.5%	[redacted]	14.1%

9. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Power Corporation Superannuation Plan

Schedule of Investments

As at December 31, 2000

(in thousands)	1999
Short-term securities (note 3)	
Canada	$ 12,120
U.S.	71,396
	83,516
Bonds (note 3)	
Government of Canada and federally guaranteed	167,562
Provincial and provincially guaranteed (note 6)	60,505
Corporate	49,978
	278,045
Equities (notes 3 and 6)	
Canada	171,799
Foreign	159,806
	331,605
Mortgages	
Conventional	725
Real estate (note 6)	7,670
	$ 701,561

See accompanying notes

8. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance as provided by Towers Perrin:

	Annual Return		Rolling Four-Year Average Annual Return	
	2000	1999	2000	1999
Plan's actual rate of return	9.3%	12.7%	12.7%	14.8%
Target rate of return	6.8%	12.5%	11.4%	14.1%

9. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Schedule of Investments

(in thousands)	2000	1999
Short-term securities (note 3)		
Canada	$ 11,074	$ 12,120
U.S.	68,953	71,396
	80,027	83,516
Bonds (note 3)		
Government of Canada and federally guaranteed	187,169	167,562
Provincial and provincially guaranteed (note 6)	67,840	60,505
Corporate	60,091	49,978
	315,100	278,045
Equities (notes 3 and 6)		
Canada	195,115	171,799
Foreign	137,395	159,806
	332,510	331,605
Mortgages		
Conventional	699	725
Real estate (note 6)	-	7,670
	$ 728,336	$ 701,561

See accompanying notes

Statement of Net Assets Available for Benefits

(in thousands)	2000	1999	1998	1997	1996
Assets					
Investments					
Short-term securities	$ 80,027	$ 83,516	$78,835	$90,419	$ 14,355
Bonds and debentures	315,100	278,045	293,401	264,718	323,516
Equities	332,510	331,605	278,541	258,710	214,413
Mortgages	699	725	749	771	4,053
Real estate	-	7,670	11,024	10,459	10,794
	728,336	701,561	662,550	625,077	567,131
Receivables					
Employees' contributions	53	65	60	59	68
Sponsors' contributions	50	56	58	65	72
Accrued investment income	5,369	3,360	3,649	4,314	5,263
Other receivables	-	16	2,347	467	-
	5,472	3,497	6,114	4,905	5,403
Cash	(400)	3,538	1,328	860	183
Total assets	733,408	708,596	669,992	630,842	572,717
Liabilities					
Accounts payable	934	1,212	4,011	1,950	1,282
Net assets available for benefits	$732,474	$707,384	$665,981	$628,892	$571,435

Statement of Changes in Net Assets Available for Benefits

(in thousands)	2000	1999	1998	1997	1996
Increase in net assets					
Investment income					
Interest					
Short-term securities	$ 5,686	$ 4,133	$ 4,564	$ 1,479	$ 1,222
Bonds and debentures	18,298	17,155	17,150	19,511	18,152
Mortgages	55	57	58	221	619
	24,039	21,345	21,772	21,211	19,993
Dividends	7,563	5,037	4,746	3,832	3,961
Real estate income	456	637	836	901	904
	32,058	27,019	27,354	25,944	24,858
Increase in market values of investments	30,279	51,068	46,317	67,096	62,550
Contributions					
Employees'	1,949	1,919	1,923	1,981	2,414
Sponsors'	546	560	563	600	690
Transfers from other plans	-	180	-	-	-
	2,495	2,659	2,486	2,581	3,104
Total increase in net assets	64,832	80,746	76,157	95,621	90,512
Decrease in net assets					
Superannuation allowances	37,719	37,367	36,999	36,734	34,487
Refunds on terminations	230	429	496	591	551
Administrative expenses	1,793	1,547	1,573	839	640
Total decrease in net assets	39,742	39,343	39,068	38,164	35,678
Increase in net assets	25,090	41,403	37,089	57,457	54,834
Net assets available for benefits, beginning of year	707,384	665,981	628,892	571,435	516,601
Net assets available for benefits, end of year	$732,474	$707,384	$665,981	$628,892	$571,435

Power Corporation Superannuation Plan

Statement of Net Assets Available for Benefits

Five-Year Review

(in thousands)	2000	1999	1998	1997	1996
Assets					
Investments					
Short-term securities	$ 89,027	$ 83,516	$78,835	$90,419	$ 14,355
Bonds and debentures	315,100	278,045	293,401	264,718	323,516
Equities	332,310	331,605	278,541	258,710	214,413
Mortgages	699	725	749	771	4,053
Real estate	-	7,670	11,024	10,459	10,794
	737,136	701,561	662,550	625,077	567,131
Receivables					
Employees' contributions	33	65	60	59	68
Sponsors' contributions	50	56	58	65	72
Accrued investment income	5,369	3,360	3,649	4,314	5,263
Other receivables	-	16	2,347	467	-
	5,472	3,497	6,114	4,905	5,403
Cash	(400)	3,538	1,328	860	183
Total assets	733,408	708,596	669,992	630,842	572,717
Liabilities					
Accounts payable	934	1,212	4,011	1,950	1,282
Net assets available for benefits	$732,474	$707,384	$665,981	$628,892	$571,435

Power Corporation Superannuation Plan

Statement of Changes in Net Assets Available for Benefits

Five-Year Review

(in thousands)	[illegible]	1999	1998	1997	1996
Increase in net assets					
Investment income					
Interest					
Short-term securities	[illegible]	$ 4,133	$ 4,564	$ 1,479	$ 1,222
Bonds and debentures	[illegible]	17,155	17,150	19,511	18,152
Mortgages	[illegible]	57	58	221	619
	[illegible]	21,345	21,772	21,211	19,993
Dividends	[illegible]	5,037	4,746	3,832	3,961
Real estate income	[illegible]	637	836	901	904
	[illegible]	27,019	27,354	25,944	24,858
Increase in market values of investments	[illegible]	51,068	46,317	67,096	62,550
Contributions					
Employees'	[illegible]	1,919	1,923	1,981	2,414
Sponsors'	[illegible]	560	563	600	690
Transfers from other plans	[illegible]	180	-	-	-
	[illegible]	2,659	2,486	2,581	3,104
Total increase in net assets	[illegible]	80,746	76,157	95,621	90,512
Decrease in net assets					
Superannuation allowances	[illegible]	37,367	36,999	36,734	34,487
Refunds on terminations	[illegible]	429	496	591	551
Administrative expenses	[illegible]	1,547	1,573	839	640
Total decrease in net assets	[illegible]	39,343	39,068	38,164	35,678
Increase in net assets	[illegible]	41,403	37,089	57,457	54,834
Net assets available for benefits, beginning of year	[illegible]	665,981	628,892	571,435	516,601
Net assets available for benefits, end of year	[illegible]	$707,384	$665,981	$628,892	$571,435

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

(in thousands)	2000	1999	1998	1997	1996
Assets					
Investments	**$728,336**	$701,561	$662,550	$625,077	$567,131
Receivables	**5,472**	3,497	6,114	4,905	5,403
Cash	**(400)**	3,538	1,328	860	183
	733,408	708,596	669,992	630,842	572,717
Liabilities	**934**	1,212	4,011	1,950	1,282
Net assets available for benefits	**732,474**	707,384	665,981	628,892	571,435
Actuarial present value of accrued pension benefits	**630,433**	633,477	610,050	573,784	528,738
Actuarial surplus [1]	**$102,041**	$ 73,907	$ 55,931	$ 55,108	$ 42,697

[1] Actuarial surplus is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

Power Corporation Superannuation Plan

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

Five-Year Review

(in thousands)	2000	1999	1998	1997	1996
Assets					
Investments	$728,336	$701,561	$662,550	$625,077	$567,131
Receivables	3,472	3,497	6,114	4,905	5,403
Cash	(400)	3,538	1,328	860	183
	731,408	708,596	669,992	630,842	572,717
Liabilities	934	1,212	4,011	1,950	1,282
Net assets available for benefits	732,474	707,384	665,981	628,892	571,435
Actuarial present value of accrued pension benefits	630,433	633,477	610,050	573,784	528,738
Actuarial surplus [1]	$102,041	$ 73,907	$ 55,931	$ 55,108	$ 42,697

[1] Actuarial surplus is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

Glossary

Actuarial Assumptions

Estimates of future events that will affect a plan's costs for future employee benefits. Examples of these estimates are: rates of return on plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial Valuation

Prepared by an actuary to determine the financial status of the benefit plan. It considers the value of plan assets and determines whether the contribution rates are adequate.

Actuary

Professional trained in technical aspects of pensions.

Annuity

Periodic payments (usually monthly) provided by the terms of a contract for the lifetime of an individual (the annuitant), or the individual and his or her designated beneficiary.

Asset Allocation

The dividing of assets among different categories such as equities, bonds, real estate and international investments.

Bonds

Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Counterparty

Individual or organization with whom one transacts business.

Custodian

Holds assets for safekeeping for the pension plan, may collect income and dividends and do simple reporting on assets. A custodian does not have fiduciary responsibility.

Debentures

Long-term unsecured corporate bonds. Debentures are usually issued by large, profitable firms having excellent credit ratings in the financial community.

Defined Benefit Plan

Pension plan that provides a guaranteed benefit based on a formula including factors such as years of service and average earnings.

Defined Contribution Plan

Pension plan that specifies the amount to be contributed to the plan. Contributions and time period determine the benefit.

Equities

Common stock or ownership in a company.

Fair Value

Dollar amount that two parties consider appropriate for a transaction.

Fiduciary

Person or authorized group, such as the Power Corporation Pension Board, that controls the operation of a pension plan and its assets.

Futures

Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Index

Method of measuring the investment manager's performance through benchmarks of similar assets.

Joint Annuity

Annuity issued to two individuals under which payments continue in whole or in part until the death of both individuals.

Notional Value

Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Securities

Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500

Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.

If you have any questions, please contact:

Carol Tabashniuk

Compensation and Benefits

SaskPower

Phone: (306) 566-2177

Fax: (306) 566-2590

Email: ctabashniuk@saskpower.com

Mail: 10W - 2025 Victoria Avenue

Regina, SK S4P 0S1